Portfolio Shift Commentary: October 29, 2015

After a rocky third quarter where global equities lost more than 8.5% between June and September along with another drop in oil and other commodity prices. The global stock market and the S & P 500 staged a robust rebound reversing the decline in the first half of October posting a gain of .60 in the S & P at the close on October 23rd year to date.

The International Monetary Fund revised its U.S. growth forecast slightly higher and it reduced those for Japan, and commodity exporters Canada and Australia. We have had a nice rally in our Japan currency hedged position and now it is time to exit this strategy in favor of a domestic strategy focusing on attractive sectors of the market we feel are poised for more growth.

A global recession still lurks around the corner. Concerns about the weakening China economy and Yuan Renminbi rates, the Chinese currency, plague investor sentiment. Despite these risks there is an interesting development. The global economy is expected to grow 3% for 2015 and 3.4% for 2016. China is moving away from an economy led by export growth and infrastructure spending toward one of domestic demand. The effect however on the U.S. economy is less than one would expect. China accounts for less than 8% of U.S. exports (less than 1% of GDP) and consumers and businesses benefit from lower prices for oil and other commodities. The jury is still out on official economic data from China so we will keep an eye on monitoring manufacturing PMI data as a measurement of activity or slow down. The most recent data showed a decrease to 47.20 in September from 47.30 in August of 2015. Manufacturing PMI in China averaged 49.47 from 2011 until 2015 as reported by Markit Economics.

Other global risks are looking more promising including political risk in Europe following the resolution of the Greece crisis. In the U.S. the delayed timing of the exit of House Speaker John Boehner's exit has alleviated concerns about the budget crisis. Argentina's upcoming election has business excited about either candidate replacing the dictatorial Christine Fernandez de Kirchner regime. China is stimulating the economy again instead of seeking to slow debt growth. As a result, the tone of the US and global economy should be much better by December, paving the way for a lift-off that is much less anxiety provoking.

We thank you for your continued loyalty and support. We look forward to discussing our views and thoughts with you at your convenience.

Best Regards,

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